

Testimony

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Committee on Ways and Means,
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**SUPPLEMENTAL
SECURITY INCOME**

**Status of Efforts to
Improve Overpayment
Detection and Recovery**

Statement of Robert E. Robertson, Director
Education, Workforce, and Income Security Issues



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Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the Supplemental Security Income (SSI) program. The Social Security Administration (SSA) administers the SSI program, which is the nation's largest cash assistance program for the poor. Last year, SSI provided \$33 billion in benefits to 6.8 million aged, blind, and disabled persons. Benefit eligibility and payment amounts for the SSI population are determined by complex and often difficult to verify financial factors such as an individual's income, resource levels, and living arrangements. Individual financial circumstances also often change, requiring staff to frequently reassess recipients' continuing eligibility for benefits. Thus, the SSI program tends to be difficult and labor intensive to administer. These factors also make the SSI program vulnerable to overpayments. In 2001, outstanding SSI debt and newly detected overpayments totaled \$4.7 billion. We designated SSI a high-risk program in 1997 after several years of reporting on specific instances of abuse and mismanagement, including poor overpayment detection and recovery practices. The following year we issued a report with recommendations for improving SSI operations.¹

My testimony today focuses on our current review of actions taken by SSA over the last several years to improve its overpayment deterrence and detection capabilities as well as its ability to recover overpayments once they occur. To examine these issues, we reviewed SSI performance data and various internal and external reports on SSI management and operations. We also conducted more than 175 interviews with SSA managers and staff at its headquarters in Baltimore and in its Philadelphia, San Francisco, and Atlanta regions and with managers and staff from state Disability Determination Services. During our meetings with management and staff, we documented their views on the priority SSA places on improving SSI program integrity, and verified policy and procedural changes that have been made in operations. We plan to issue our final report in September 2002.

In summary, SSA has taken many actions over the last several years to strengthen SSI program integrity. For example, to better deter and detect overpayments, the agency obtained legislative authority to use additional

¹ U. S. General Accounting Office, *Supplemental Security Income: Action Needed on Long-Standing Problems Affecting Program Integrity*, GAO/HEHS-98-158 (Washington, D.C.: Sept. 14, 1998)

tools to verify recipients' financial eligibility for benefits; enhanced its processes for monitoring and holding staff accountable for completing assigned SSI workloads; and improved its use of automation to strengthen its overpayment detection capabilities. However, because a number of initiatives are still in the planning or early implementation stages, it is too soon to assess their ultimate impact on SSI payment accuracy. Further, there are vulnerabilities that SSA has yet to address, such as excessively complex program rules for determining recipient living arrangements and underused penalty authorities for persons who fail to report information affecting their benefits. In addition to improving its overpayment deterrence and detection capabilities, SSA has also made recovery of overpaid benefits a higher priority. For example, SSA now seizes the tax refunds of individuals with unresolved SSI debt and recently began more aggressive actions to recover overpayments from former SSI recipients by reducing their Social Security retirement or disability benefits. Other potentially effective recovery initiatives, such as wage garnishment and referral of debtors to collection agencies, remain unimplemented. Further, at a time when SSA has enhanced its debt recovery capability, its current overpayment waiver policies and practices may be causing SSA to unnecessarily forego the collection of millions of dollars in overpaid benefits annually.

Background

The SSI program provides eligible aged, blind, or disabled persons with monthly cash payments to meet basic needs for food, clothing, and shelter. State Disability Determination Services determine whether SSI applicants are medically disabled, and SSA field office staff determine whether applicants meet the program's nonmedical (age and financial) eligibility requirements. To be eligible for SSI in 2002, persons may not have income greater than \$545 per month (\$817 for a couple) or resources worth more than \$2,000 (\$3,000 for a couple). When applying for SSI, persons must report information about their income, financial resources and living arrangements that affect their eligibility. Similarly, once approved, recipients must report changes to these factors in a timely manner. To a significant extent, SSA depends on program applicants and recipients to report changes in their medical or financial circumstances that may affect eligibility. To verify this information, SSA generally uses computer matching to compare SSI payment records with similar information contained in other federal and state government agencies' records. To determine whether recipients remain financially eligible for SSI benefits, SSA also conducts periodic redetermination reviews to verify eligibility factors such as income, resources and living arrangements. Recipients are

reviewed at least every 6 years, but reviews may be more frequent if SSA determines that changes in eligibility are likely.

In general, the SSI program is difficult and costly to administer because even small changes in monthly income, available resources, or living arrangements can affect benefit amounts and eligibility. Complicated policies and procedures determine how to treat various types of income, resources, and support that a recipient may receive. SSA must constantly monitor these situations to ensure benefit payments are accurate. After reviewing work spanning more than a decade, we designated SSI a high-risk program in 1997 and initiated work to document the underlying causes of long-standing problems and their impact on program integrity. In 1998, we reported on a variety of management issues related to the deterrence, detection, and recovery of SSI overpayments. Over the last several years, we also issued a number of reports and testimonies documenting SSA's progress in addressing these issues.

Overpayment Prevention and Detection Are Receiving More Emphasis, But Some Weaknesses Remain

Over the last several years, SSA has demonstrated a stronger management commitment to SSI program integrity issues, and today SSA has a much improved capability to verify program eligibility and detect payment errors than it did several years ago. However, weaknesses remain. SSA has made limited progress toward simplifying complex program rules that contribute to payment errors and is not fully utilizing several overpayment prevention tools, such as penalties and the suspension of benefits for recipients who fail to report eligibility information as required.

Management Has Heightened Attention to SSI Program Integrity

SSA issued a report in 1998 outlining its strategy for addressing SSI program integrity problems and submitted proposals to Congress requesting new authorities and tools to implement its strategy. The Foster Care Independence Act of 1999 gave SSA new authority to deter fraudulent or abusive actions, better detect changes in recipient income and financial resources, and improve its ability to recover overpayments. Of particular note is a provision in the act that strengthened SSA's authority to obtain applicant resource information from banks and other financial institutions, since unreported financial resources are the second largest source of SSI overpayments. SSA also sought and received legislative authority to impose a period of benefit ineligibility ranging from 6 to 24 months for individuals who knowingly misrepresent facts.

In addition to seeking and obtaining new legislative authority, SSA also began requiring its field offices to complete 99 percent of their assigned financial redetermination reviews and other cases where computer matching identified a potential overpayment situation caused by unreported wages, changes in living arrangements, or other factors. To further increase staff attention to program integrity issues, SSA also revised its work measurement system—used for estimating resource needs, gauging productivity, and justifying staffing levels—to include staff time spent developing information for referrals of potentially fraudulent cases to its Office of Inspector General (OIG). Consistent with this new emphasis, the OIG also increased the level of resources and staff devoted to investigating SSI fraud and abuse, in order to detect, and prevent, overpayments earlier in the disability determination process. The OIG reported that its investigative teams saved almost \$53 million in fiscal year 2001 in improper benefit payments by providing information that led to denial of a claim or the cessation of benefits.

Further, in a June 2002 SSI corrective action plan, SSA reaffirmed its commitment to taking actions to facilitate the removal of the SSI program from our high-risk list.² To ensure effective implementation of this plan, SSA has assigned senior managers responsibility for overseeing additional planned initiatives, which include piloting new quality assurance systems, testing whether touchtone telephone technology can improve the reporting of wages, and using credit bureau data and public databases to better detect underreported income and unreported resources (automobiles and real property). To assist field staff in verifying the identity of recipients, SSA is also exploring the feasibility of requiring new SSI claimants to be photographed as a condition of receiving benefits.

SSA Has Improved Its Ability to Detect Payment Errors

SSA has made several automation improvements over the last several years to help field managers and staff control overpayments. Last year, the agency distributed software nationwide that automatically scans multiple internal and external databases containing recipient financial and employment information and identifies potential changes in income and resources. This examination of financial data occurs automatically whenever a recipient's Social Security number (SSN) is entered into the system. SSA also made systems enhancements to better identify newly

² Social Security Administration, *SSI Corrective Action Plan—Removing SSI From GAO's "High-Risk" List*, June 2002

entitled recipients with unresolved overpayments from a prior SSI coverage period. Now, the process of detecting overpayments from a prior eligibility period and updating recipient records occurs automatically. Thus, a substantial amount of outstanding overpayments that SSA might not have detected under prior processes is now subject to collection action. In fact, the monthly amount of outstanding overpayments transferred to current records has increased on average by nearly 200 percent, from \$12.9 million a month in 1999 to more than \$36 million per month in 2002.

In addition to systems and software upgrades, SSA now uses more timely and comprehensive data to identify information that can affect SSI eligibility and benefit amounts. In accordance with our prior report recommendation, SSA obtained access to the Office of Child Support Enforcement's National Directory of New Hires (NDNH), which is a comprehensive source of unemployment insurance and wage and new hires data for the nation.³ In January 2001, SSA field staff received access to NDNH for use in verifying applicant eligibility during the initial claims process. Recently, SSA also began requiring staff to use NDNH as a post-eligibility tool for verifying current recipients' continuing eligibility. With NDNH, SSA field staff now have access to more comprehensive and timely employment and wage information essential to verifying factors affecting SSI eligibility. SSA has estimated that using NDNH will result in about \$200 million in overpayment preventions and recoveries per year.

SSA has also enhanced existing computer data matches to better verify continuing financial eligibility. For example, SSA now matches SSI recipient SSNs against its master earnings record semiannually.⁴ In 2001, SSA flagged over 206,000 cases for investigation of unreported earnings, a three-fold increase over 1997 levels. To better identify individuals receiving income from unemployment insurance benefits, quarterly data matches have also replaced annual matches. Accordingly, the number of unemployment insurance detections has increased from 10,400 in 1997 to 19,000 last year. Further, SSA's ability to detect nursing home admissions, which can affect SSI benefits, has improved.⁵ SSA now conducts monthly

³ See U.S. General Accounting Office, *Supplemental Security Income: Opportunities Exist for Improving Payment Accuracy*, GAO/HEHS-98-75 (Washington, D.C.: Mar. 27, 1998).

⁴ Prior to 1998, SSA conducted these computer matches annually.

⁵ Generally, SSI recipients residing in a nursing home for more than 1 month receive only \$30 in SSI benefits per month.

matches with all states, and the number of overpayment detections related to nursing home admissions has increased substantially from 2,700 in 1997 to more than 75,000 in 2001. SSA's ability to detect recipients residing in prisons has also improved. Over the past several years, SSA has established agreements with prisons that house 99 percent of the inmate population, and last year it reported suspending benefits to 54,000 prisoners.⁶ Lastly, SSA has increased the frequency with which it matches recipient SSNs against tax records and other data essential to identify any unreported interest, income, dividends, and pension income individuals may be receiving. These matching efforts have also resulted in thousands of additional overpayment detections over the last few years.

To obtain more current information on the income and resources of SSI recipients, SSA has also increased its use of on-line access to various state program data, such as unemployment insurance and workers' compensation. As a tool for verifying SSI eligibility, direct on-line connections are generally more effective than using periodic computer matches, because the information is more timely. Thus, SSA staff can quickly identify potential disqualifying income or resources at the time of application and before overpayments occur. In many instances, this allows the agency to avoid having to go through the difficult and often unsuccessful task of recovering overpaid SSI benefits. Field staff can directly query various state records to quickly identify workers' compensation, unemployment insurance, or other state benefits individuals may be receiving. As of January 2002, SSA had access to 73 agencies in 42 states, as compared with 43 agencies in 26 states in 1998.

Finally, to further strengthen program integrity, SSA took steps to improve its SSI financial redetermination review process. It increased the number of annual reviews from 1.8 million in fiscal year 1997 to 2.4 million in fiscal year 2001 and substantially increased the number of reviews conducted through personal contact with recipients, from 237,000 in 1997 to almost 700,000 in fiscal year 2002. SSA also refined its profiling methodology in 1998 to better target recipients that are most likely to have payment errors. SSA's data show that estimated overpayment benefits—amounts detected and future amounts prevented—increased by \$99 million over the prior year. Agency officials indicated that limited resources would affect SSA's ability to do more reviews and still meet other agency priorities. In June 2002, SSA informed us that the Commissioner of SSA recently decided to

⁶ Recipients in correctional facilities for more than 30 days are ineligible for benefits.

make an additional \$21 million available to increase the number of redeterminations this year.

Despite its increased emphasis on overpayment detection and deterrence, SSA is not meeting its payment accuracy goals. In 1998, SSA pledged to increase its SSI overpayment accuracy rate from 93.5 percent to 96 percent by fiscal year 2002; however, the latest payment accuracy rate is 93.6 percent, and SSA does not anticipate achieving the 96 percent target until 2005. Various factors may account for SSA's inability to achieve its SSI accuracy goals, including the fact that key initiatives that might improve SSI overpayment accuracy have only recently begun. For example, field offices started to access NDNH wage data in 2001. This could eventually help address the number one source of overpayments—unreported wages, which in fiscal year 2000 accounted for \$477 million in overpayments, or about 22 percent of overpayment errors. Further, SSA's data show that unreported financial resources, such as bank accounts, are the second largest source of SSI overpayments. Last year, overpayments attributable to this category totaled about \$394 million, or 18 percent of all overpayments detected. SSA now has enhanced authority to obtain applicant resource information from financial institutions and plans to implement a pilot program later this year. Thus, when fully implemented, this tool may also help improve the SSI payment accuracy rate.

Limited Progress Made in Simplifying Complex Program Rules

SSA has made only limited progress toward addressing excessively complex rules for assessing recipients' living arrangements, which have been a significant and long-standing source of payment errors. SSA staff must apply a complex set of policies to document an individual's living arrangements and the value of in-kind support and maintenance (ISM)⁷ being received, which are essential to determining benefit amounts. Details such as usable cooking and food storage facilities with separate temperature controls, availability of bathing services, and whether a shelter is publicly operated can affect benefits. These benefit determination policies depend heavily on recipients to accurately report whether they live alone or with others; the relationships involved; the extent to which rent, food, utilities, and other household expenses are shared; and exactly what portion of those expenses an individual pays.

⁷ ISM refers to the noncash income available to a recipient in the form of food, clothing, or shelter. The combination of ISM and cash income available to an applicant or recipient can either reduce or possibly preclude the receipt of SSI benefits.

Over the life of the SSI program, these policies have become increasingly complex as a result of new legislation, court decisions, and SSA's own efforts to achieve benefit equity for all recipients. The complexity of SSI program rules pertaining to living arrangements, ISM, and other areas of benefit determination is reflected in the program's administrative costs. In fiscal year 2001, SSI benefit payments represented about 6 percent of benefits paid under all SSA-administered programs,⁸ but the SSI program accounted for 31 percent of the agency's administrative expenses.

Although SSA has examined various options for simplifying rules concerning living arrangements and ISM over the last several years, it has yet to take action to implement a cost-effective strategy for change. During our recent fieldwork, staff and managers continued to cite program complexity as a problem leading to payment errors, program abuse, and excessive administrative burdens. In addition, overpayments associated with living arrangements and ISM remain among the leading causes of overpayments after unreported wages and resources, respectively. SSA's lack of progress in addressing program simplification issues may limit its overall effectiveness at reducing payment errors and achieving its long-range 96 percent payment accuracy goal. SSA's fiscal year 2000 payment accuracy report noted that it would be difficult to achieve SSI accuracy goals without some policy simplification initiatives. In its recently issued SSI Corrective Action Plan, SSA stated that within the next several years it plans to conduct analyses of alternative program simplification options beyond those already assessed.

Administrative Penalties and Sanctions Remain Underutilized

Our work shows that administrative penalties and sanctions remain underutilized in the SSI program. Under the law, SSA may impose administrative penalties on recipients who do not file timely reports about factors or events that can lead to reductions in benefits—changes in wages, resources, living arrangements, and other support being received. Penalty amounts are \$25 for a first occurrence, \$50 for a second occurrence, and \$100 for the third and subsequent occurrences. The penalties are meant to encourage recipients to file accurate and timely reports of information so that SSA can adjust its records to correctly pay benefits. The Foster Care Independence Act also gave SSA authority to impose benefit sanctions on persons who make representations of

⁸ SSA also administers the Old Age, Survivors, and Disability Insurance Programs under Title II of the Social Security Act.

material facts that they knew, or should have known, were false or misleading. In such circumstances, SSA may suspend benefits for 6 months for the initial violation, 12 months for the second violation, and 24 months for subsequent violations. SSA issued interim regulations to implement these sanction provisions in July 2000.

Currently, however, staff rarely use penalties to encourage recipient compliance with reporting policies. SSA data show that, over the last several years, the failure of recipients to report key information accounted for 71 to 76 percent of overpayment errors and that these errors involved about 1 million recipients annually. Based on SSA records, we estimate that at most about 3,500 recipients were penalized for reporting failures in fiscal year 2001. SSA staff we interviewed cited a number of obstacles or impediments to imposing penalties, as noted in our 1998 report,⁹ such as: (1) penalty amounts are too low to be effective; (2) imposition of penalties is too administratively burdensome; and (3) SSA management does not encourage the use of penalties. Although SSA has issued guidance to field office staff emphasizing the importance of assessing penalties, this action alone does not sufficiently address the obstacles cited by SSA staff.

SSA's administrative sanction authority also remains rarely used. SSA data indicate that, between June 2000 and February 2002, SSA field office staff referred about 3,000 SSI cases to the OIG because of concerns about fraudulent activity. In most instances, the OIG returned the referred cases to the field office because they did not meet prosecutorial requirements, such as high amounts of benefits erroneously paid. Despite the large number of cases where staff believed fraud and abuse might be occurring, as of January 2002, field staff had actually imposed sanctions in only 21 SSI cases. Our interviews with field staff identified insufficient awareness of the new sanction authority and some confusion about when to impose sanctions. In one region, for example, staff and managers told us that they often referred cases to the OIG when fraud was suspected, but that it had not occurred to them that these cases could be considered for benefit sanctions if the OIG did not pursue investigation and prosecution.

⁹ GAO/HEHS-98-158.

Overpayment Recovery Improved, But Other Actions Could Enhance Program Management

In our prior work, we reported that SSA had historically placed insufficient emphasis on recovering SSI overpayments. Over the past several years, SSA has been working to implement new legislative provisions to improve the recovery of overpayments. However, a number of key initiatives are still in the early planning or implementation stages, and it is too soon to gauge what effect they will have on SSI collections. Moreover, we are also concerned that SSA's current waiver policies and practices may be preventing the collection of millions of dollars in outstanding debt.

Overpayment Recovery Is Receiving Enhanced Emphasis, But Some Key Initiatives Are Pending

In 1998, SSA began seizing the tax refunds from former SSI recipients with outstanding overpayments. SSA reported that this initiative has yielded \$221 million in additional overpayment recoveries at the end of calendar year 2001. In 2002, SSA also began recovering SSI overpayments by reducing the Social Security retirement and disability benefits of former recipients without first obtaining their consent.¹⁰ SSA expects that this initiative will produce about \$115 million in additional overpayment collections over the next several years. SSA also recently began reporting former recipients with outstanding debts to credit bureaus and to the Department of the Treasury. Credit bureau referrals are intended to encourage individuals to voluntarily begin repaying their outstanding debts. The referrals to Treasury will provide SSA with an opportunity to seize other federal benefit payments individuals may be receiving.

While overpayment recovery practices have been strengthened, SSA has not yet implemented some key recovery initiatives that have been available to the agency for several years. Although regulations have been drafted, SSA has not yet implemented administrative wage garnishment, which was authorized in the Debt Collection Improvement Act of 1996. In addition, SSA has not implemented several provisions in the Foster Care Independence Act of 1999. These provisions allow SSA to offset federal salaries of former recipients, use collection agencies to recover overpayments, and levy interest on outstanding debt. According to SSA, draft regulations for several of these initiatives are being reviewed internally. SSA officials said that they could not estimate when these additional recovery tools will be fully operational.

¹⁰ Until 1998, SSA could only reduce these benefits with the consent of the former recipient.

SSI Overpayment Waivers Have Greatly Increased

Our work showed that SSI overpayment waivers have increased significantly over the last decade and that current waiver policies and practices may cause SSA to unnecessarily forego millions of dollars in additional overpayment recoveries annually.

Waivers are requests by current and former SSI recipients for relief from the obligation to repay SSI benefits to which they were not entitled. Under the law, SSA field staff may waive an SSI overpayment when the recipient is without fault and the collection of the overpayment either defeats the purpose of the program, is against equity and good conscience, or impedes effective and efficient administration of the program.

To be deemed without fault, and thus eligible for a waiver, recipients are expected to have exercised good faith in reporting information to prevent overpayments. If SSA determines a person is without fault in causing the overpayment, it then must determine if one of the other three requirements also exists to grant a waiver. Specifically, SSA staff must determine whether denying a waiver request and recovering the overpayment would defeat the purpose of the program because the affected individual needs all of his/her current income to meet ordinary and necessary living expenses. To determine whether a waiver denial in some instances would be against equity and good conscience, SSA staff must decide if an individual incurred additional expenses in relying on the benefit, and thus requiring repayment would affect his/her economic condition. Finally, SSA may grant a waiver when recovery of an overpayment may impede the effective or efficient administration of the program—for example, when the overpayment amount is equal to or less than the average administrative cost of recovering an overpayment, which SSA currently estimates to be \$500. Thus, field staff we interviewed generally automatically waive overpayments of \$500 or less.

In December 1993, SSA markedly increased the threshold for automatic SSI overpayment waivers from \$100 to \$500. Officials told us that this change was based on an internal study of administrative costs related to investigating and processing waiver requests for SSA's Title II disability and retirement programs, but not on SSI waivers directly. They were unable to locate the study for our review and evaluation. While staff and managers had varying opinions regarding the time and administrative costs associated with denying waiver requests, they also acknowledged that numerous recent automation upgrades may be cause for reexamining the current \$500 waiver threshold.

Our analysis of waiver data indicated that since the automatic waiver threshold was changed, the amount of SSI overpayments waived increased 400 percent, from \$32 million in fiscal year 1993 to \$161 million in fiscal year 2001. This increase has significantly outpaced the growth in both the number of SSI recipients served and total annual benefits paid, which increased by 12 and 35 percent respectively during this same period. Furthermore, the ratio of waived overpayments to total SSI collections has also increased. In fiscal year 1993, SSA waived overpayments were equivalent to about 13 percent of its SSI collections. By 1995, waiver amounts more than doubled, to \$66 million, and were equivalent to about 20 percent of SSI collections for that year. By fiscal year 2001, SSI waivers represented nearly 23 percent of SSI collections.

While not conclusive, the data indicate that liberalization of the SSI waiver threshold may be a factor in the increase in waived overpayments. SSA has not studied the impact of the increased threshold. However, officials believe that the trend in waived SSI overpayments is more likely due to annual increases in the number of periodic reviews of recipients' medical eligibility. These reviews have resulted in an increase in benefit terminations and subsequent recipient appeals. During the appeals process, recipients have the right to request that their benefits be continued. Those who lose their appeal can then request a waiver of any overpayments that occurred during the appeal period. SSA will usually grant these requests under its current waiver policies.

Another factor affecting trends in waivers may be staff application of waiver policies and procedures. Although SSA has developed guidance to assist field staff in deciding whether to deny or grant waivers, we found that field staff have considerable leeway to grant waivers based on an individual's claim that he or she reported information to SSA that would have prevented an overpayment. In addition, waivers granted for amounts of less than \$2,000 are not subject to second-party review, while another employee in the office—not necessarily a supervisor—must review those above \$2,000. During our field visits, we also identified variation among staff in their understanding of how waiver decisions should be processed, including the extent to which they receive supervisory review and approval. In some offices, review was often minimal or nonexistent regardless of the waiver amount, while other offices required stricter peer or supervisory review. In 1999, SSA's OIG reported that the complex and subjective nature of SSA's Title II waiver process, as well as clerical errors and misapplication of policies by staff, resulted in SSA's incorrectly waiving overpayments in 9 percent of 26,000 cases it reviewed. The report also noted that 50 percent of the waivers reviewed were unsupported and

that the OIG could not make a judgment as to the appropriateness of the decision. While the OIG only examined waivers under the Title II programs and for amounts over \$500, the criteria for granting SSI waivers are generally the same. Thus, we are concerned that similar problems with the application of waiver policies could be occurring in the SSI program.

Mr. Chairman, this concludes my prepared statement. I will be happy to respond to any questions you or other Members of the Subcommittee may have.

GAO Contacts and Staff Acknowledgments

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Related GAO Products

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